

Message Text

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PAGE 01 STATE 109275
ORIGIN OPIC-06

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FM SECSTATE WASHDC
TO AMCONSUL GUAYAQUIL IMMEDIATE

UNCLAS STATE 109275

FROM OPIC

E.O. 11652:N/A

TAGS:EINV

SUBJECT: GALAPAGOS TOURIST CORPORATION S.A.

ATTN: MR. ED ROJAS, ECON OFF

PLEASE PASS FOLLOWING TO JACK MOORMAN, OPIC REP, AT
GRAND HOTEL GUAYAQUIL.

1. JACK, FOLLOWING IS TEXT TO BE DELIVERED TO PRINCIPALS.
CONFIRMING LETTERS ARE BEING MAILED TODAY.

QUOTE

CAPTAIN K. MICHAEL GORDON
P.O. BOX 5284
GUAYAQUIL, ECUADOR

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PAGE 02 STATE 109275

SR. ENRIQUE PONCE LUQUE
P. O. BOX 529 -
GUAYAQUIL, ECUADOR

DEAR SIR:

PER THE 10 AUG 76 PROJECT COMPLETION AGREEMENT (PCA) AMONG

SR. ENRIQUE PONCE LUQUE, CAPTAIN K. MICHAEL GORDON,
GALAPAGOS TOURIST CORPORATION S.A. (GTC) AND THE OVERSEAS
PRIVATE INVESTMENT CORPORATION (OPIC), OPERATIONAL
COMPLETION CANNOT BE MET UNTIL:

1. NO DEFAULTS EXIST UNDER THE 10 AUG 76 LOAN AGREEMENT
(LA) BETWEEN OPIC AND GTC, PER PCA SECTION E(III).
DEFAULTS WHICH EXIST UNDER THE A INCLUDE INCURRING
SUBSTANTIALLY MORE DEBT THAN ALLOWED BY THE LA, PER
SECTIONS 9.1B AND 8.2D. GTC COULD ADDITIONALLY BE PUT
INTO DEFAULT FOR FAILURE TO COMPLY WITH OTHER LA TERMS
INCLUDING THOSE SPECIFYING ACCOUNTING MATTERS, PER LA
SECTION 7.7 AND SECTION 7.8, AND INSURANCE PER LA
SECTION 7.5. THE ABOVE IS ILLUSTRATIVE, NOT EXHAUSTIVE.

2. ALL MATERIALMEN, INSURERS, AND OTHER SUPPLIERS HAVE
BEEN PAID, PER LA SECTIONS 7.5 AND 8.1C, AND GTC HAS TITLE
FREE AND CLEAR (EXCEPT FOR THE OPIC MORTGAGE) TO THE
VESSEL, PER PCA SECTION 3E(II).

YOUR RESPONSIBILITIES UNDER THE PCA CONTINUE UNTIL
OPERATIONAL COMPLETION AND WORKING CAPITAL REQUIREMENTS
ARE MET. WORKING CAPITAL REQUIREMENTS SPECIFY THAT THE
PROJECTS' CURRENT ASSETS MUST EXCEED ITS CURRENT
LIABILITIES BY AT LEAST DOLLARS 50,000, PER PCA
SECTION 4B. IMMEDIATE ADVANCES OF FUNDS TO GTC ARE
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UNCLASSIFIED

PAGE 03 STATE 109275

NECESSARY BECAUSE THE TOTAL OF
A) THE FUNDS REFERRED TO IN THE FINANCIAL PLAN OF THE LA,
B) THE INDEBTEDNESS PERMITTED BY SUBSECTION 8.2 OF THE
LA, AND
C) THE EARNINGS OF GTC
ARE TOGETHER INSUFFICIENT TO PERMIT GTC TO MEET THE
OPERATIONAL COMPLETION AND WORKING CAPITAL REQUIREMENTS
OF THE PCA.

SINCE OPERATIONAL COMPLETION AND WORKING CAPITAL
REQUIREMENTS HAVE NOT BEEN MET, YOU ARE HEREBY NOTIFIED
TO IMMEDIATELY ADVANCE GTC SUFFICIENT FUNDS TO MEET THE
REQUIREMENTS OF THE PCA. YOUR OBLIGATION TO ADVANCE THE
FUNDS IS ABSOLUTE AND UNCONDITIONAL. THE OBLIGATION IS
INDEPENDENT OF ANY SIMILAR OBLIGATION OF SR. PONCE.
ANY SHARING OF THE REQUIREMENT IS A MATTER TO BE SETTLED
BETWEEN YOU.

ADVANCES CAN BE EITHER AN EQUITY INVESTMENT, WITH PRIOR
WRITTEN APPROVAL BY OPIC, OR A SUBORDINATED LOAN, AS
PROVIDED BY SECTION 6 OF PCA. IF FUNDS ARE NOT TIMELY
ADVANCED, OR IF THEY ARE NOT USED AS INDICATED ABOVE,

OPIC WILL BE FORCED TO USE THE REMEDIES AFFORDED BY THE
LA, THE PCA AND THE LAWS GOVERNING THE PARTIES THERETO.

OPIC IS WILLING TO COOPERATE AS MUCH AS POSSIBLE TO HELP
THE GTC TO OVERCOME THE CURRENT FINANCIAL AND
MANAGERIAL PROBLEMS. OPIC IS PREPARED TO CONSIDER
PROVIDING A SUBSTANTIAL AMOUNT OF THE ADDITIONAL FUNDING
REQUIRED TO PAY CURRENT BILLS AND INSURE ADEQUATE FUTURE
WORKING CAPITAL. OPIC REPRESENTATIVE,
S MOORMAN AND SHEETS ARE ANXIOUS TO DISCUSS A COURSE OF
ACTION TO INSURE THE BASIC CONCERNS ARE PROVIDED FOR.
AMONG THESE ARE:

1) THAT THE EXISTING SHAREHOLDERS ARE IN AGREEMENT
AMONGST THEMSELVES AS TO THE FINANCIAL RESPONSIBILITIES;
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PAGE 04 STATE 109275

AND

2) THAT NEW SENIOR OPERATING MANAGEMENT BE PROVIDED TO
WHATEVER EXTENT OPIC DETERMINES IT NECESSARY TO
EFFICIENTLY RUN THE BUSINESS, COMPLETE WITH AN ADEQUATE
FINANCIAL REPORTING AND CONTROL SYSTEM.

OPIC WOULD ALSO BE PREPARED TO ASSIST THE GTC IN TRYING
TO LOCATE SHORT-TERM ASSISTANCE FOR THE PRESENT PROBLEMS.

HOPEFULLY, YOU AND MESSRS. MOORMAN AND SHEETS WILL BE

ABLE TO AGREE ON A COURSE OF ACTION SO THAT THE PROJECT
MAY BECOME SUITABLE FOR THE SHAREHOLDERS AND LENDERS.

EVEN IF AN AGREEMENT FOR ADDITIONAL ASSISTANCE CAN BE
REACHED, HOWEVER, THE ADVANCES CALLED FOR BY THIS LETTER
MUST BE MADE TO GTC TO ENABLE IT TO CARRY ON ITS
BUSINESS DURING THE INTERIM PERIOD BETWEEN NOW AND WHEN
THE ADDITIONAL ASSISTANCE MIGHT BE MADE AVAILABLE TO GTC.
SINCERELY, LAWRENCE E. MOCK, TREASURER. UNQUOTE VANCE

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